

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 4/15/2011

GAIN Report Number: 11020

China - Peoples Republic of

Post: Beijing

Selected Success Stories on U.S. Exports to China in 2010

Report Categories:

Export Accomplishments - Other

Approved By:

Scott Sindelar

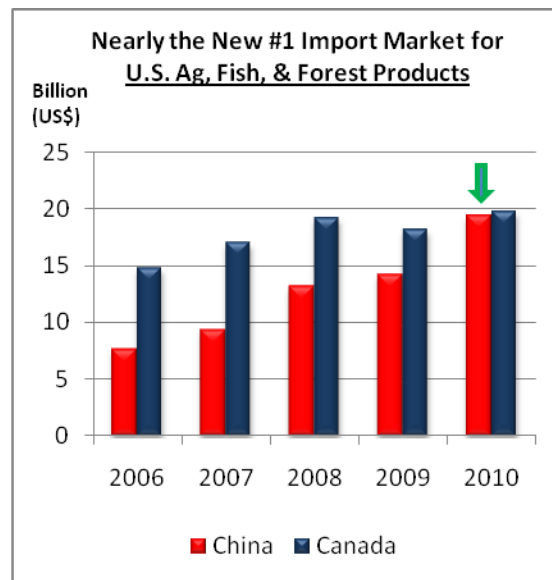
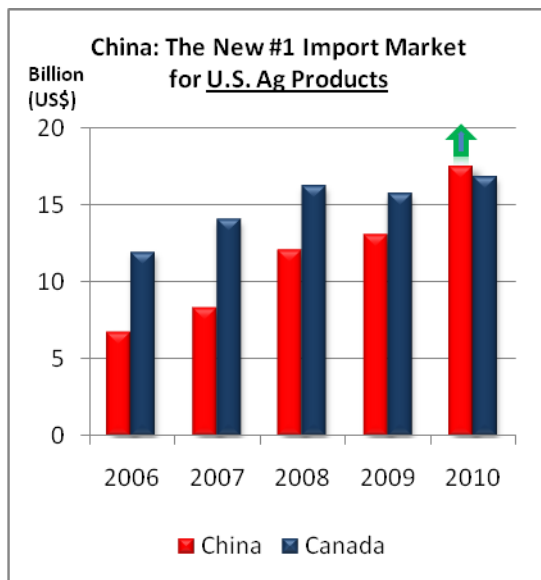
Prepared By:

Ryan R. Scott with support from USDA/China (OAA, ATOs,
and APHIS)

Report Highlights:

U.S. agricultural exports to China nearly tripled over the past five years (from \$6.7 billion in 2005 to \$17.5 billion in 2010). China is now the new number 1 market for U.S. agricultural products and the second largest export market for U.S. agricultural, fisheries, and forest products, just behind Canada.

Selected Success Stories on U.S. Exports to China in 2010



U.S. agricultural exports to China nearly tripled over the past five years (from \$6.7 billion in 2005 to \$17.5 billion in 2010). China is now the new number 1 market for U.S. agricultural products and the second largest export market for U.S. agricultural, fisheries, and forest products, just behind Canada. China's food demand continues to outpace its domestic production, creating a market opportunity for exporting countries such as the United States. Continued food price inflation at record highs (10.3 percent in Jan 2011 compared to 3.7 in Jan 2010) has encouraged additional imports to help dampen rising domestic prices.

Over the past five years, USDA agencies, FAS/China field offices (OAA and five ATOs), and over 35 U.S. cooperators active in China together have received roughly 15-20 percent of total funding support from FAS market development programs on a yearly basis. This support has allowed both U.S. public and private sector organizations to gather market intelligence, address market access challenges, and promote U.S. products in existing and emerging markets. Within the five BICO categories below, Post highlights selected success stories to illustrate the contributions of USDA programs to the increase of U.S. exports to China:

I. Bulk Products

Crude Soybean Oil (Soybean Oil 2009-10: up 1045%): Within days of APHIS's successful negotiation with AQSIQ, U.S. exporters booked almost \$30 million (40,000 MT) in crude soybean oil sales to China. U.S. exporters took advantage of a market opening caused by AQSIQ's actions that restricted imports of Argentine agriculture products.

Soybeans (2009-10: 18%): Last year, USDA and AQSIQ signed a Memorandum of Understanding covering inspection and quarantine issues for U.S. soybean exports to China. The MOU provides a formalized structure to guide interaction with the various USG agencies dealing with soybean quality, phyto-sanitary, and safety issues. The MOU is intended to minimize trade disruption. U.S. exports of soybeans reached \$10.8 million in 2010.

II. Intermediate Products:

Feeds and Fodder (2009-10: 221%): China purchased \$61 million worth of U.S. alfalfa in 2010, or more than 220,000 tons (compared to 70,000 tons in 2009). ATOs in Guangzhou, Beijing, and Shanghai worked closely with the U.S. industry to promote alfalfa in the Chinese market. In addition, ATO Beijing and Shanghai worked with APHIS and local Chinese officials on U.S. alfalfa entry issues, including transloading and contamination cases, mitigating potential market access issues before they stifled trade.

Live Animals (2005-10: 53%): ATO Guangzhou's dairy industry training in the United States resulted in sales of bovine genetic material worth \$200,000 to \$400,000 dollars on a yearly basis. During this visit, the participants who have been importing baled alfalfa hay worth in excess of \$10 million (annually) expressed interest in purchasing other U.S. forage products such as Bermuda coastal hay worth another \$10 million.

As a result of successful activities led by ATO Guangzhou under the USDA's Cochran Fellowship Program and Quality Samples Program, a farm owner in Guangzhou signed a purchase contract with an U.S. supplier for 1,300 straws of imported frozen bovine semen, which is valued over \$20,000. These two USDA programs were designed to enhance the farm owner's knowledge and confidence in U.S. genetic products.

Hides and Skins (2009-10: 46%): ATO Guangzhou organized the first Chinese twelve member leather buying mission to visit exporters in the United States. The visit facilitated contracts for seven containers of U.S. hides, including steer, dairy cows, and baby calves, and resulted in sales that exceeded USD \$5 million.

Poultry and Pork: FAS/Beijing (OAA and ATO), ATO/Guangzhou, and ATO/Shanghai successfully persuaded Chinese import stations to release U.S. poultry and pork shipments worth over \$10 million. As a result of OAA's successful discussions, U.S. exporters will soon be able to send USDA certificates to China through an electronic document transmission system created by USDA with cooperation from U.S. industry. This solution will ensure continued smooth trade of U.S. meat and poultry exports valued at more than \$1 billion.

III. Consumer Oriented Products

Dairy Products (2009-2010: 73%): If implemented on June 1, 2010 as originally planned, China's requirements threatened to stop trade worth almost \$300 million in 2010. OAA successfully negotiated changes to new trade restrictive food safety and other certification requirements for U.S. dairy products. As a result, China has agreed to indefinitely postpone implementation while both sides work toward an alternative certification arrangement acceptable to both sides.

ATO Chengdu partnered with the U.S. Dairy Export Council in a two-month in-store promotion at Chengdu Renhe Supermarket, which generated \$17,272 sales of dairy products. ATO Shanghai has also supported market development efforts by the US Dairy Export Council and California Milk Board aiming to bridge U.S. cheese exporters with local bakeries and food service sectors.

Snack Foods (2009-2010: 48%): As a result of two ATO/Shanghai sponsored retail promotions, more than US\$300,000 of U.S. products were sold in the Nanjing retail stores. ATO Shanghai also had direct impact on increased sales of U.S. fresh fruits, snack foods, wine and beer in other Emerging City Markets (ECMs) in China.

ATO Chengdu partnered with several U.S. cooperators on in-store promotions at Ito Yokato and Renhe Spring stores to help promote U.S. snack food products, which generated sales of over \$87,000. Partnered cooperators include Food Export Midwest, Almond Board of California, California Table Grape Commission, USA Poultry and Egg Export Council, Raisin Administrative Committee, and the Western Pistachio Association.

Fresh Fruit (2009-2010: 44%): As a result of USDA/APHIS's successful negotiations with AQSIQ, China relisted nine fruit packing houses (six apple, two plum, and 1 citrus,) that had been suspended since June 2008.

Several ATO offices led separate teams to the Produce Marketing Association where generated sales close to \$5 million of U.S. products. One buyer from the ATO Guangzhou team purchased \$3-4 million worth of U.S. fresh table grapes and plums two months after the trade show. ATO Shanghai had fourteen traders, wholesalers, retail buyers from Shanghai, Nantong, Wuxi and Ningbo (with sales valued at \$650,000). ATO Beijing's team consisted of nine buyers from Beijing and the Xi'an and Shandong Provinces (sales of \$100,000).

ATO Shanghai's Great American Fruits Online Promotion at www.fruitday.com, an on-line fresh fruit shopping website in Shanghai, generated \$625,000 from June-Sept 2010, which is a 160 percent increase from 2009. The four-month online promotion supported five USDA cooperators, including California Cherry Advisory Board, U.S. Northwest Cherry Growers, Sunkist Growers, California Table Grape Commission and California Tree Fruit Agreement.

ATO/Guangzhou, in conjunction with a fruit distribution company and selected Wal-Mart and Vanguard stores promoted over 18 different varieties of U.S. imported fresh fruits, which reached \$406,000 in sales. More than 40 stores participated in this two week program. Participating stores are located in large cities such as Shenzhen and Guangzhou as well as emerging city markets like Nanning and Guilin.

Tree Nuts (2008-2010: 60%): South China, especially Guangdong Province, is a critical consumption market for U.S. tree nuts since it imports, processes, and handles the vast majority of California almonds shipped to China. ATO Guangzhou helped facilitate three GBI sponsored baking seminars where over 20 recipes (including California almonds) were later incorporated into local bakeries' regular menus for daily sales.

Over 25 visa referrals have been issued to professional nut processors and traders from the Pearl River Delta to attend the Almond Board of California's crop tour and buyers' mission. ATO/Beijing has also provided extensive visa support for buying missions that have accounted for over \$82 million in sales. In addition, ATO/Beijing has been unstinting in its support of industry activities, not only providing its direct support, but also in getting new media and television coverage for the industry's PR activities at no additional cost.

ATO Chengdu partnered with several U.S. tree nut cooperators to help promote U.S. food products at in-store promotions which generated total sales of at least \$85,000.

Large Purchases of Consumer-Oriented Products at China's Trade Shows:

In 2010, ATO Beijing led a team to the Food Marketing Institute (FMI) trade show, which resulted in sales of more than \$17 million. This team consisted of 35 Chinese buyers from Beijing and emerging city markets such as

Qingdao, Zhenghao, Dalian, Harbin and the provinces of Xinjiang and Inner Mongolia. Products purchased include, but not limited to, nuts and dried fruit, packaged snack foods, and soft drinks. For more details, please review ATO Beijing's export accomplishments report dated April 5, 2011.

Two trade shows in Shanghai generated over \$550,000 in onsite sales alone. The USA Pavilion at the SIAL China trade show attracted 60 U.S. companies that together reached onsite sales valued at \$400,000. At the Food and Hospitality China (FHC) trade show, the USA Pavilion included 38 U.S. companies that generated sales of \$154,000. One of the U.S. wine exhibitors in the pavilion won eight medals from the FHC international wine competition. U.S. exhibitors at SIAL and FHC trade shows reported that follow-up sales reached several tens of millions of dollars and Chinese buyers were mostly interested in U.S. tree nuts, dried fruits, dairy products, cookies, wines, popcorn, beverages, and frozen and processed fruits and cheese.

Wine and Beer (2009-2010: 40%): As an outgrowth of a Media Tour, ATO/Beijing arranged for China web portal giant QQ.com (a client base of at least 500,000,000 viewers) to interview and shadow Delicato Wines' chief winemaker Wong Jun Tim during a visit to his hometown in Guangzhou. QQ regards the story of a Chinese-born winemaker in a major winery in California as an extremely compelling one for Chinese viewers. ATO views it as an excellent opportunity to cement the strategic message of the United States as a major producer of quality wines. Alexa.com ranks QQ.com 10th for traffic world-wide and 2nd in China.

ATO Chengdu's introduction between the Delicato Wine Group and Chengdu Chaogang Business Co, Ltd (a southwest China-based local trading company) led to the first direct sale of U.S. wine to a local wine trading company in Chengdu. This sale was worth \$32,000 and generated requests for future contracts. ATO Chengdu has also partnered with California Wine Institute, organized a wine tasting and match-making business meeting event that featured over 30 U.S. wine brands. Following this event, three new distributors began carrying U.S. wines.

Through ATO Shanghai's marketing activities, capacity building and Distribution Development programs, there are now over 50 importers/distributors actively promoting U.S. wines in the Greater Shanghai region (in 2005, there were only eight distributors). U.S. wine is now represented in more than 90 percent of supermarkets and local chain stores, 75 percent of the 5-star hotels in Shanghai, and several third and fourth-tier city markets in Zhejiang and Jiangsu provinces.

To strengthen the image, presence, and branding of U.S. wine in South China, ATO Guangzhou established the Pearl River Delta American Wine Importer Association. In Dec 2010, ATO Guangzhou organized the American wine festival in the China Hotel, which attracted some 90 guests representing the trade, local hotel & restaurants, and media. Eleven U.S. wine distributors showcased approximately 100 different varieties of American wine. The local media reported a favorable impression of U.S. wine. For some it was the first time they had ever enjoyed wines from the States.

Beer: ATO/Beijing has been very aggressive in promoting U.S. craft brew beer. A promotion at a major Beijing retailer (Parkson's Plaza), netted long-term sales of \$12,000 per month for a single distributor of craft beer. For more details, please see ATO Beijing's success story on U.S. craft beer.

IV. Fisheries: (2009-10: 24%)

Dalian Seafood Trade Show is China's largest trade show. Last year, at the 15th Dalian Fishery and Seafood expo, there were a total of 24 U.S. companies exhibited, which represented the largest U.S. presence in more than five years. Participants in the U.S. Pavilion, organized by ATOs Beijing and Shenyang, represented a cross-section of U.S. industry from Alaska salmon to East Coast lobster. ATO Shanghai also led a team to this show from East China.

ATO Chengdu partnered with the Alaska Seafood Marketing Institute on a multi-year in-store promotion event at Chengdu Ito Yokato stores to help promote sales of salmon, sole, king crab, and snow crab. The 2010 fall promotion generated more than \$5,000 sales of seafood products. The spring 2011 event is ongoing as of the date of this report, with preliminary sales figures indicating a 50 percent increase in sales over the last event, and the introduction of new products.

In fall 2010, ATO Guangzhou met with one trader in South China and learned that this company placed an order for over five containers of Alaska crab to China, to meet the demand for the 2011 Chinese New Year. This company considers this a good time to promote whole crabs into the China market. Alaska King, Dungeness, and Snow crab enjoy favorable reputation worldwide. The general manager mentioned before only crab parts could be found in high-end retail outlets.

V. Forestry Products: (2009-10: 112%)

ATO Shanghai's support to American Hardwood Export Council, American Softwood Export Council, State Government Rep Offices in Shanghai, and private companies led to large increases in wood shipments in 2010. Support included coordinating meetings and field visits; providing translation assistance to several U.S. wood companies and Chinese wood importers, architects and designers; assisting U.S. wood associations at three major wood-related shows; facilitating the NHLA wood grading training programs; as well as intervening on market access issues at the ports.

Each year, Nature Co. imports large volumes of U.S. hardwood to produce solid wood flooring. ATO Guangzhou continues to implement U.S. hardwood retail promotions in one of Nature's 3000 outlets. To meet demands of China's middle class, in 2011, Nature plans to invest \$15 million in new factory operations to produce wood doors and 400 retail outlets to market products, as well as another \$18 million in the construction of six plants dedicated to producing wood/wardrobe closets.